



HIGHWAY CONCESSIONS ONE PRIVATE LIMITED

RISK MANAGEMENT POLICY

(Approved by the Board of Directors vide its resolution dated on November, 15, 2022)

(HC1_Version 01_2022)

This document supersedes all the previous versions of Policy/ communication on this subject.

The policy shall be effective from the date of approval of the Securities and Exchange Board of India for appointment of Highway Concessions One Pvt. Ltd. as Investment Manager of Highways Infrastructure Trust which is registered as an infrastructure investment trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended (“SEBI InvIT Regulations”) on December 23, 2021 having registration number IN/InvIT/21-22/0019).

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1. BACKGROUND:

This Policy lays down the framework of Risk Management at Highway Concessions One Private Limited (hereinafter referred to as the “**Company**”). This Policy shall be under the authority of the Board of Directors (“**Board**”) of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

‘**Risk**’ in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Formal and systematic approaches to managing risks have evolved and they are now known as Risk Management.

‘**Risk Management**’ is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities.

2. INTRODUCTION:

As a constant endeavour to upgrade the policies and systems in force within the Company and to identify the element of risks, which may threaten the existence of the Company, the Board of the Company decided that there should be a policy document to create and protect the stakeholder’s value by minimizing threats or losses, and identifying and maximizing opportunities.

The provisions of the Companies Act, 2013 read with relevant rules issued thereon (“**CA 2013**”) also provides for maintaining a Risk management framework/system within the Company, to protect the interest of stakeholders and to minimize the threats or losses.

3. PURPOSE AND SCOPE OF POLICY:

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a proactive approach in reporting, evaluating and resolving risks associated with the Company’s business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

4. APPLICABILITY:

This Policy is applicable to Highway Concessions One Private Limited and all subsidiaries, joint ventures or other affiliates of Highway Concessions One Private Limited including any entities managed by Highway Concessions One Private Limited pursuant to an investment management agreement under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014.

5. KEY DEFINITIONS:

“**RMC**” means Risk Management Committee of the Board of the Company;

“**Risk appetite**” is the level of risk that a company is willing to take in the pursuit of its objectives.

“**Risk capacity**” is the amount of risk that a company could accept without a serious threat to its financial stability.

“**Risk tolerance**” is the amount of risk that the company is prepared to accept in order to achieve its financial objectives, expressed as a quantitative measure, such as a permitted range of deviation from a specified target,

or a maximum limit.

6. POLICY FRAMEWORK:

The RMC shall review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analysing and mitigating all the material risks, both internal and external viz. Environmental, Business, Operational, Financial, Strategic and others, shall also have communication of Risk Management Strategy to various levels of management for effective implementation and report to the Board the proposed Risk Management Strategy. The RMC are responsible for determining the Risk appetite, Risk capacity and Risk tolerance.

Risk Identification is obligatory on all vertical and functional heads, and they are required to report the key material risks to the RMC along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by the RMC through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Board.

The following methodology should be adopted by every concern to identify and mitigate risks to which they are subjected:

a. Risk Identification: This would envisage identification of the potential list of events / perils / risks / factors that could have an adverse impact on the achievement of business objectives. To identify the Company's exposure to uncertainty, risks can be identified under the following broad categories:

- **Strategic Risk** – risks that the actual performance of the business could be much worse due to unexpected developments in the business environment.

For e.g., competition, inadequate capacity, high dependence on a single customer/ vendor/ brand.

- **Business Environment Risk** – risks of significant changes in the business environment from political and regulatory factors, social and environmental factors and technology factors.

For example, business performance may be affected by the introduction of new regulations, political upheaval in a community or technology change.

- **Competition Risk** – risk that business performance will differ from expected performance because of actions taken (or not taken) by business rivals.
- **Personnel Risk** - Health & safety, high attrition rate, incompetence of personnel.
- **Operational Risk** – risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- **Reputation Risk** – risk of loss in customer loyalty or customer support following an event that damages the Company's reputation. Reputation risk is often associated with risks arising from unethical behaviour by a Company, including policies and practices that damage the environment or affect human rights.
- **Regulatory Risk** - Non-compliance to statutes, change of regulations, change in government policies, legal uncertainties.
- **Technology Risk** - Innovation, obsolescence, performance of IT systems.

- **Political Risk** - Changes in the political environment, regulation/deregulation due to changes in political environment, political instability.
 - **Litigation Risk** - Legal proceedings against the Company.
 - **Risk from external events** – these are risks that financial conditions may change, with adverse change in interest rates or exchange rates, higher losses from bad debts or changes in price in financial markets (such as changes in share price).
 - **Liquidity risk** – risk that the Company will have insufficient cash to settle all its liabilities on time, and so may be forced out of business.
- b. Risk Assessment:** This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and whether these consequences are likely to occur. Consequence and likelihood are reviewed to produce an estimate of the level of risk.
- c. Risk Evaluation:** After risk analysis, comparison of estimated risks against the Company’s risk criteria is required. It is to be used to make decisions about the significance of risks and how each specific risk should be accepted or treated.
- d. Risk Estimation:** Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.
- e. Impact level and Treatment of Risk:** For high priority risks, the management should develop and implement specific risk management/mitigation plans. Low priority risks may be accepted and monitored.
- f. Reporting of Risk:** Internally risks shall be reported to the RMC and Board and externally risks shall be communicated to the stakeholders on regular basis as part of Corporate Governance.

7. ROLES AND RESPONSIBILITY:

Generally, every employee of the Company is responsible for the effective management of risk including the identification of potential risks. Risk Assessments will be conducted for all activities, functions and responsibilities and efforts will be taken to reduce the risks to as low as reasonably practicable.

The RMC is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies subject to the approval of the Board. Risk management processes should be integrated with other planning processes and management activities.

8. RMC/BOARD OF DIRECTORS:

- A risk register will be maintained by the RMC, with risk profiles developed and risk mitigation plans implemented for all risks.
- Thereafter an Action Plan for risk management shall be recommended by the RMC and approved by the Board before communication to the personnel for implementation.
- The Board are responsible for determining the Risk appetite, Risk capacity and Risk tolerance recommended by the RMC.
- The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines recommended by the RMC and delegate authority and accountability for risk management

to the Company's executive team.

- The Board shall perform the risk treatment which includes risk control / mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for effective and efficient operations, effective Internal Controls, Compliance with laws and regulations.
- The Board shall have the discretion to deal with certain risks (may be called Key or Highly Sensitive Risks) in the manner it may deem fit. Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the mitigation strategy may be directly discussed by the Board members.
- The Risk register and action plan shall be periodically reviewed and placed before the Board. The owner of this will be RMC.

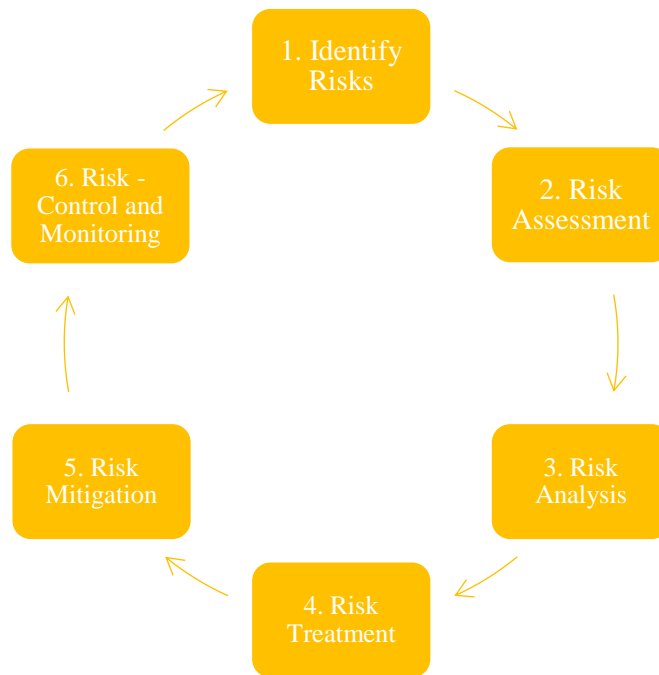
9. RISK REGISTER:

The Company shall maintain a risk register for the following:

- a. Recording the risks that have been identified (Top 50 risks classified according to types)
- b. Assessment of each risk category
- c. Suggested mitigation plans
- d. Periodic assessment/ evaluation of risk assessment/mitigation measures.
- e. Risk registers and mitigation plans to be placed before the Board annually once for review and noting. The Chairman of the RMC or any identified officer will be the owner of this document.
- f. The Risk register alongwith risk trends will be maintained in the format as stated in Annexure I.

10. STEPS IN RISK MANAGEMENT:

Risk management is a shared responsibility. To summarise, risk management process includes the following key activities performed on a continuous basis:



11. INTEGRATION AND REVIEW OF RISK MANAGEMENT POLICY:

Company’s risk management strategy is to be integrated with the overall business strategies of the Company and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company’s objectives.

This Policy shall be reviewed at least once in a year by the RMC to ensure it meets the requirements of legislation and the needs of organization.

12. AMENDMENT:

This Policy can be modified at any time by the Board of the Company upon recommendation of RMC.

Annexure I

No.	Risk Description	Pre-Mitigation Risk Level	Existing Mitigating Controls	Current Risk Level	Remediation Plan	Target Risk Level

Risk Trends for Q__

Category	Risk	Risk Description	Trend	Explanation